

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE NOTICE OF PURCHASED GAS)	
ADJUSTMENT FILING OF COLUMBIA)	CASE NO. 10498-B
GAS OF KENTUCKY, INC.)	

O R D E R

On September 20, 1990, a hearing was held in the instant case in order to determine the reasonableness of the proposal of Columbia Gas of Kentucky, Inc. ("Columbia") to recover its Gas Inventory Charges ("GICs") through its Gas Cost Adjustment ("GCA") mechanism. Columbia presented testimony in support of the appropriateness of the recovery of GICs as purchased gas costs and of its own proposed recovery methodology within the GCA filing.

After considering the evidence of record and being otherwise sufficiently advised, the Commission find that:

1. Columbia's argument that GICs are a prudently incurred cost of procuring gas is persuasive, so long as Columbia is able to make a showing that the incurrence of GICs results in a lower overall cost of gas to ratepayers.

2. Columbia's proposed inclusion of GICs in the Expected Gas Cost ("EGC") component of its rates is not reasonable, given the possibility that Columbia Gas Transmission Corporation ("Transmission") may fail its market comparability test in any given year. Such inclusion of GICs in the EGC should be denied.

3. Columbia's proposed inclusion of GICs in the Actual Cost Adjustment ("ACA") component of its rates is reasonable, but should be reserved for years when such costs for the preceding period are known and measurable. Such inclusion in the instant case should therefore be denied, with GIC billings received in December 1990 to be included in the ACA component of rates to be effective September 1, 1991.

4. The format currently used by Columbia in detailing its ACA is ill-suited for the reporting of GIC amounts proposed for recovery. In the instant case, for example, because the GIC amounts were included along with the lump sum, undesignated monthly gas costs, they were effectively "buried." In future filings for recovery of GICs in the ACA, Columbia should fully and completely set apart the GIC amount proposed for recovery and provide a copy of GIC charges from Transmission. It should also provide a comparison between actual cost of gas, including GICs, for the relevant period to what the cost of gas would have been if Columbia had not been deficient in its purchases from Transmission.

IT IS THEREFORE ORDERED that:

1. The rates contained in the Appendix to the Interim Order in the instant case dated August 31, 1990 be and they hereby are given final approval effective with the date of this Order.

2. The proposed inclusion of GICs in the EGC of the instant case is hereby denied.

3. The proposed recovery of GICs in the ACA of the instant case is hereby denied.


4. Columbia's recovery of GIC costs through the GCA mechanism be and it hereby is approved.


5. The recovery of GIC costs through the GCA mechanism shall be accomplished using the methodology as set out herein.

Done at Frankfort, Kentucky, this 25th day of October, 1990.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director